

SECTION 35 - CONTENTS

RISK MANAGEMENT

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SECTION 35

RISK MANAGEMENT

Sub-Section 35.100 - Insurance Coverage

Subject 35.110 - Third Party Liability Insurance

Third Party Liability coverage, as outlined below, must be obtained by CSBs unless an appropriate self-insurance program meeting State requirements is in place. While this coverage may be procured competitively, it is also available from the Commonwealth of Virginia, Department of the Treasury, Division of Risk Management (TRS/DRM). Insurance coverage obtained under the TRS/DRM program is not required to be competitively procured. CSBs may obtain coverage under the TRS/DRM plan by contacting:

Commonwealth of Virginia
Department of the Treasury
Division of Risk Management (DRM)
Attention: Program Manager
James Monroe Building, 6th Floor
P. O. Box 1140 (Zip Code 23208-1121)
101 North Fourteenth Street (Zip Code 23219)
Richmond, Virginia
Phone: (804) 225-4616
FAX: (804) 371-8400
Web Site: www.trs.state.va.us

Insurance limits under the DRM program are \$1,000,000 per occurrence and include the following types of coverage:

- General Liability - Includes coverage for buildings or premises owned and/or occupied by the CSB plus its day-to-day CSB operations.

- Public Officials or Directors' and Officers' Liability - Provides protection against suits for business decisions by officers and members of the Board of Directors of the CSB.
- Medical Malpractice Liability - Provides coverage for clinical psychologists and nursing staff. Does not provide coverage for contract or employed physicians; *however, this coverage may be added at additional cost.*
- Professional Liability - Provides coverage for all other professional service providers, e.g., various therapists, guidance counselors, trainers and student interns.
- Special Events Coverage - Provides coverage for special events such as Special Olympics programs and fund raising events.

Subject 35.120 - Vehicle Coverage - Automobile coverage must be obtained for all owned vehicles. Collision coverage may be considered optional for older vehicles. While this coverage may be obtained competitively, it is also now provided through the Division of Risk Management. Insurance for leased vehicles should, if possible, remain with the lessor; however, if this is not possible, it may be included with the owned coverage. Automobile coverage is made up of liability and physical damage coverage:

- Liability - Liability coverage protects the CSB from a claim against injury resulting from operation of a motor vehicle. Limits should be a minimum of \$1,000,000 combined single limit for bodily injury or property damage. Minimum medical payments coverage should be \$5,000 per person.
- Physical Damage - Physical Damage protects the CSB from paying for damages to owned or leased automobiles. It is made up of two parts:
 - ◇ Comprehensive
 - ◇ Collision/upset

The cost of the insurance is based upon the value of the insured vehicle.

The damage claim is based on the actual cash value of the vehicle at the time of loss, regardless of how much it cost new or the cost of a replacement vehicle.

CSBs should consider the use of deductibles to reduce the cost of insurance and, at the same time, provide adequate protection for their operating budget.

- Coverage by DRM - The Commonwealth of Virginia's Division of Risk Management provides coverage for vehicle liability. CSBs should review and consider this coverage in lieu of commercial coverage.

Subject 35.130 - Property Coverage - Property coverage provides protection against loss from physical damage to CSB buildings and equipment.

- Buildings includes offices or clinics, group homes, storage facilities, etc.
- Personal Property includes office, apartment, clinic, etc. furnishings and computer equipment.

Property should be valued at replacement cost so, in the event of claim, the payment is made on the basis of new items for old.

High deductibles should be considered to reduce the cost of insurance and, at the same time, provide adequate protection for the operating budget.

Subject 35.140 - Time Element - Time element coverage provides for loss of use of offices and clinic, group homes, storage facilities, etc. Coverage can be provided to protect against extra expense in the event the CSB has to occupy or move to another facility as a result of a property loss. Time element coverage also provides for income lost from rental of facilities. Deductibles usually do not apply to this coverage.

Subject 35.150 - Valuable Papers and Records - This coverage pays for the cost of restoration and reconstruction of important documents. Deductibles do not apply to this coverage.

Subject 35.160 - Power Equipment and Machinery - This coverage protects against physical damage to and loss of use of equipment which generates, transmits or uses virtually any sort of power. Deductibles are required in this coverage.

Subject 35.170 - Blanket Dishonesty Bond - This coverage protects the CSB against embezzlement by its employees. This may be written with or without deductibles. Attached to the bond may be a variety of coverage including:

- Coverage for faithful performance of duty.
- Robbery.
- Forgery.
- Use of illegal money orders and counterfeit currency.

Subject 35.180 - Workers' Compensation - This coverage is for claims by employees who suffer injury or illness arising out of and in the course of employment. It covers:

- Medical expenses, including rehabilitation expenses.
- Weekly indemnity payments to the injured employee.
- Indemnity benefits to a deceased employee's family.

Sub-Section 35.200 - Health Insurance

Subject 35.210 - The Local Choice Health Benefits Program

The Commonwealth of Virginia, Department of Human Resource Management (HRM) offers a health benefits program which is available to CSBs. This program offers a choice of employee health insurance benefits including:

- Point of Service through Key Advantage plans.
- Comprehensive benefits plant (including a Medicare Complementary Plan for CSB retirees.
- Health Maintenance Organization plans.

Advantages to the CSB in participating in the DPT plan:

- The program has been competitively solicited and complies with the requirements of the Virginia Public Procurement Act.
- Choice of several plans (see above).
- The benefits offered are competitive, recognized and well-accepted.
- Lower cost because of being part of a program with thousands of participants.
- No broker or consultant fees or commissions.
- Special training for local administrators.
- Shared catastrophic claims cost.

To apply for coverage or obtain information about The Local Choice:

Contact - The Local Choice Health Benefits Program
Department of Human Resource Management
101 North 14th Street, 13th Floor
Richmond, Virginia 23219
E-Mail: wnorman@dhrm.state.va.us

Subject 35.220 - Competitive Procurement of Health Insurance

If a CSB does not participate in the DPT plan (Section .210), their employee health insurance must be obtained by competitive methods. The methods proscribed in Section 35.310 should be utilized.

Model Request for Proposals - An RFP, modeled after the solicitation used by the Commonwealth of Virginia, Department of Personnel and Training is available from DMHMRSAS Office of Administration/Procurement Office, Phone (804) 786-3915.

Sub-Section 35.300 - Procurement of Insurance

Subject 35.310 - Method of Procurement - The Virginia Public Procurement Act (VPPA) requires insurance coverage to be procured competitively. The three proscribed methods are:

- Competitive Sealed Bidding (IFB) - An IFB is used if the buyer knows the specific type and amount of insurance needed. The model IFB (Appendix C-2 of this Manual) may be used to solicit quotations from insurance providers. The specific types of coverages required, including amounts and deductibles, should be indicated in section 4.0 of the IFB. Contract award is based on the quoted cost of premiums. A lump sum award (lowest total cost for all coverages) or a separate award for each type of coverage may be made.

- Request for Proposals (RFP) - Insurance may be procured through the competitive negotiation (RFP) process provided a written determination is made in advance that competitive sealed bidding is either not practicable or not fiscally advantageous. An RFP could be used in the event that the CSB does not know exactly what types of coverages are needed and they wish to consider various proposals and compare coverage and cost. The model RFP in Appendix D-2 of this Manual may be used to solicit proposals from insurance providers.
- Selection of an Agent - Rather than soliciting bids or proposals for insurance policies through the IFB or RFP methods (see above), a CSB may select a licensed agent or broker to provide a program of insurance coverage. A model RFP that may be used to select an agent may be found in Appendix D-3. The agent or broker must be selected through an RFP as a non-professional service and a written documentation must be included in the procurement file stating that competitive negotiation of insurance coverage direct from a provider is either not practicable or not fiscally advantageous. Agents can provide a multitude of services, such as risk reduction and helping to find the proper balance between risk and coverage; therefore, it is often fiscally advantageous to select an agent through an RFP who will put together an insurance program and provide the desired services.

Code of Virginia, Section 2.2-4303 A and C
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- Purchase Through an Association - Insurance may be purchased through an association of which the CSB is a member provided:
 - ◊ The association "was formed and is maintained for the purpose of promoting the interest and welfare of and developing close relationships with similar public bodies" and,

- ◇ The association "procured the insurance by use of competitive principles" and,
- ◇ The public body (CSB) has made a written determination in advance after reasonable notice to the public that a competitive procurement is "not fiscally advantageous to the public".

Code of Virginia, Section 2.2-4345-A-14
